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## In search of a Polanyian countermovement of emancipatory economic deglobalisation

by

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This article argues that Karl Polanyi's oeuvre helps to enlighten the current political and economic situation which, in the rich countries, is increasingly perceived as a complex and threatening turmoil – with unemployment and inequality, refugees and European disintegration. To be sure, neither Polanyi's analyses nor his forecasts were without flaws. He erred on important issues, from the Moscow trials to his prediction on the end of market societies in the 1940s which was based on "equating capitalism with laissez-faire liberalism" and thereby underestimating the sustainability of regulated capitalism (Dale 2016a: 122ff). Therefore, there is no comprehensive Polanyian theory or superior prognostics. But Karl Polanyi offers something different and highly relevant in the current crisis of neoliberal globalisation: A socioeconomic research program to understand the link between culture, nature, politics and economics<sup>1</sup>, an idea of wo/men as part of society and nature. Combining progressive with conservative concerns enriches historical analysis of the ongoing transformation. Being skeptical of equating material improvement with civilization progress, he insisted on the need of 'habitation' instead of mere 'improvement'. He differed from simplistic left ideas of progress, being sympathetic to grounding utopian hope in "Heimat" (Bloch 1959: 1628), the unrealized potential of being at home as free and equal inhabitants of this planet. Therefore, he showed a unique awareness that liberal ideology – which at that time was a genuinely right-wing philosophy - does not only lead to economic crisis and political disaster, as Marxist crisis theory as well as Keynes' insights predict. He perceived the ecological and cultural disintegration caused by "borderless" market transactions as a fatal threat to order and civilization.

Three readings of *The Great Transformation* have to overlap to grasp its full potential. First, in the 1970s and 1980s, *The Great Transformation* was rediscovered as part of an approach that criticizes market-centered formalist economics (Polanyi 1977). Polanyi favoured a substantive and institutionalist understanding of economics as socioeconomics. His historical and anthropological research was motivated by discovering institutional arrangements different from the current market-centered model (Polanyi Levitt 1990: 116). As there were economies before the current market economy, there will be new economies

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<sup>1</sup> "Where Karl departs from the conventional Marxist analysis is in his insistence on cultural degradation as the ultimate evil of capitalism, as distinct from mere economic exploitation" (Polanyi Levitt 1990: 123).

which will be again re-embedded in society and nature. Looking back, he described the metamorphosis from an agrarian to an industrial society as a profound institutional change. “The transformation to this system from the earlier economy is so complete that it resembles more the metamorphosis of the caterpillar than any alteration that can be expressed in terms of continuous growth and development” (Polanyi 2001[1944]: 44). In the 19<sup>th</sup> century it created “fictitious commodities” and spread universal markets. Liberal utopia was the respective ideological orientation. In the 21<sup>st</sup> century systemic changes induced by ecological constraints will again have to create substantially new institutions and social forms as well as a proper utopian horizon (Novy 2014).

Second, the analogy between the current crisis and the 1930s is striking. After the financial crisis from 2007 onwards, many re-cited the famous quote from *The Great Transformation*: “Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself” (Polanyi 2001[1944]: 3). Optimists assumed that the financial crisis marked the end of neoliberal globalization, thereby underestimating neoliberalisation as a class project (Harvey 2005; Peck 2013), somehow similar to *haute finance*’s project during the Hundred Years` Peace before 1914 (Polanyi 2001[1944]: 10). The response to the financial meltdown was that the costs of the crisis were shifted to the taxpayer. The resultant increase in public debt further strengthened the tiny minority of the hyper-wealthy (Milanovic 2016: 44.199-205). Evidence spreads that we witness “the end of normal” (Galbraith 2014), with clear catastrophic overtones (Streeck 2016). Polanyi’s narrative of the interwar political economy adds to the interpretations offered by Keynes and Marxists on underconsumption, overaccumulation and imperialist competition (Sweezy 1959; Keynes 1964) by illustrating the erosion of socio-cultural cohesion and the power of ideology. The stubborn and fanatic believe in markets as natural justified severe political intervention with sometimes disastrous consequences (Polanyi 2001[1944]: 141). What Polanyi analysed with respect to the League of Nations applies to the Troika too: “Had the aim not been intrinsically impossible, it would have been surely attained, so able, sustained, and single-minded was the attempt” (Polanyi 2001[1944]: 240).

Third, in 2016, the rise of different types of reactionary right-wing movements all over the world suggests yet another reading. It was Polanyi's original concern to understand "the breakdown of our civilization" (Polanyi 2001[1944]: 5) which made fascism possible. Up to *The Great Transformation* Polanyi's interest with long-term historical events was instrumental<sup>2</sup>, based on a key assumption: "In order to comprehend German fascism one has to go back to Ricardian England" (Polanyi 2001[1944]: 32). According to Polanyi, it is the specific, highly complex form of metamorphosis to an industrial society which made laissez-faire liberalism an illusory ideology and fascism a potentially powerful response to inherent problems of a self-regulating market.

Section 1 problematizes the dominant narrative of a civilizational confrontation between globalizers and patriots, denounced as the "new barbarians" (Polanyi 2001[1944]: 7). Section 2 analyses the emblematic case of *Red Vienna* as a progressive countermovement to stress a much more important cultural and political divide: between the few and the many. Section 3 and 4 expose strategic elements for a Polanyian countermovement of emancipatory economic deglobalisation. Section 3 shows the danger and potential of the end of "borderless" globalization. Section 4 proposes place-based strategies to experiment with social ecological institutions and infrastructures that foster diverse forms the good life for and with all.

## 1 Borderless expansionism and countermovements

Trade and finance were increasingly borderless in the first great globalization of the 19<sup>th</sup> century (Rodrik 2011: 24ff). John Stuart Mill, who was an earlier sympathizer with women's right (Rosanvallon 2013: 265), but had no problem in justifying despotism "as a legitimate mode of government in dealing with barbarians", summarized the aspiration of this century: a world, "more improved; more eminent in the best characteristics of Man and Society; farther advanced in the road to perfection; happier, nobler, wiser" (Cited in Hobsbawm 2003: 33). The progress of this socio-economic system was made possible by the scramble for Africa, colonialism and imperialism (Hobson 1968) and easy access to fossil fuels. This *belle époque* was the paradise for the emerging middle and the upper classes

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<sup>2</sup> Only after World War II, Polanyi became deeply interested in history and anthropology in itself.

(Hobsbawm 2003: 55). Karl Polanyi was brought up in this apparently stable cosmopolitan environment<sup>3</sup>.

This idea of borderless self-regulating market was a powerful social invention that led to a hegemonic world view with respect to market globalization as a natural and progressive order. Up to the 1930s, it was “hard to find any divergence between utterances of Hoover and Lenin, Churchill and Mussolini” (Polanyi 2001[1944]: 26). Even Polanyi, renowned journalist for the prestigious *Der Österreichische Volkswirt*, remained victim of this *Zeitgeist* (Polanyi 2001[1944]: 21). Although philosophically a severe critic of Mises and Hayek, he himself held a rather naturalist understanding of the market mechanism. “With the Austrians and against Keynes, Polanyi believed that the market system relies on self-equilibration and that policy interventions generally aggravate market instability” (Dale 2016a: 104). So he himself is included, when Polanyi asserts that “[h]ardly anyone understood the political function of the international monetary system. ... To liberal economists the gold standard was a purely economic institution; they refused even to consider it as a part of a social mechanism” (Polanyi 2001[1944]: 21). “The only equilibrium liberal economic theory recognized was a worldwide one. But in practice this model was inadequate” (Hobsbawm 2003: 41).

From the 1870s onwards the market continued to expand, “but this movement was met by a countermovement” (Polanyi 2001[1944]: 136): Economic liberalism “aiming at the establishment of a self-regulating market” on the one hand, social protection “aiming at the conservation of man and nature” on the other (Polanyi 2001[1944]: 138). This movement was, however, asymmetrical. “Laissez-faire was planned; planning was not” (Polanyi 2001[1944]: 147). Markets continued to be viewed as natural, planning as artificial. While, in principle, the economic and political sphere should be clearly separated, protectionism and colonialism were deliberately used to improve competitiveness. In defending the liberal utopia that “economic society was subject to laws which were *not* human laws” (Polanyi 2001[1944]: 131) against all evidence to the contrary, its adherents produced weakened and unresponsive democracies that “are most vulnerable to attack by extremist leaders bent on

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<sup>3</sup> Up to World War I, his middle-class radical political project was based on “an abstract, liberal conception of democracy” (Dale 2016b: 100).

imposing authoritarian solutions” (Block/Somers 2014: 35)<sup>4</sup>. Laissez-faire utopia, this “anarchism of the bourgeoisie” which “had no place for the state” (Hobsbawm 2003: 40) vanished in the big depression. Hand in hand, democracies were dismantled, *Red Vienna* being an emblematic case.

## 2 Red Vienna and the struggle over citizenship

In Vienna, social democracy, an internationalist movement, unable to gain power nationally, concentrated in the interwar period (1918-1934) on implementing local socialism. *Red Vienna* was a progressive countermovement aiming at an inclusive civilizational model. A social ecological infrastructure of public facilities and universal access to high-quality social services and cultural activities were financed via progressive taxation. As “consumerism for all” – the social democratic policy of post-war welfare capitalism which put it in systematic conflict with ecological concerns – was impossible due to the straightjacket of the gold standard, policies concentrated on an alternative hegemonic project of popular livelihood based on commonality and solidarity. The new spirit of freedom was perceivable in new gender roles, alternative modes of teaching and social assistance and a flourishing popular culture. It opened the amenities of the city to all its inhabitants: Public housing permitting a dignified life, creating a private sphere in a communal context, in contrast to precarious tenement.

Karl Polanyi and Friedrich August von Hayek (1944) offered diverging interpretations of this experiment. Both were impressed by *Red Vienna* - for the one an example of embedding the economy, for the other a step towards serfdom (Peck 2008: 9). “Both thinkers identified the late nineteenth century as the onset of liberalism’s political, economic and intellectual decline, and both viewed the interwar corporatist shift in economic policymaking as propitious to, if not direct evidence of, a transition to socialism. This was a leitmotif in *The Great Transformation* and in *The Road to Serfdom*” (Dale 2016a: 109). For Polanyi (2001[1944]: 299), “Vienna achieved one of the most spectacular cultural triumphs of Western history <... and initiated an> unexampled moral and intellectual rise in

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<sup>4</sup> The stubbornness with which economic liberals, for a critical decade, had, in the service of deflationary policies, supported authoritarian interventionism, merely resulted in a decisive weakening of the democratic forces which might otherwise have averted the fascist catastrophe” (Polanyi 2001[1944]: 242). “Germany reaped the advantages of those who help to kill that which is doomed to die” (Polanyi 2001[1944]: 254).

the condition of a highly developed industrial working class.” Aiming not only at redistribution, but at restoring “habitation” of the proletariat was the locus of a struggle for dignity and freedom for all, not the select few<sup>5</sup>. . “Polanyi, in short, experienced an epiphany akin to that which George Orwell described ten years later in Barcelona: suddenly, workers ‘looked you in the face and treated you as an equal’”(Dale 2016b: 100). For Polanyi, democracy meant overcoming a servant mentality, social democracy based on relational equality and “an expectation of reciprocity, of mutual recognition” (Rosanvallon 2013: 261). There was fierce opposition by large parts of the better-off against the democratically elected Viennese government and its intellectuals. University and media remained strongholds of “Black Vienna” (Wassermann 2014), uniting the Christian-Social party, monarchists and fascists.

It was a struggle about citizenship: While social democrats wanted to extend citizenship by democratic means from civic and political to social citizenship, its opponents sacrificed civic and political rights to avoid social citizenship for all. But it was also a cultural, unconsciously ecological struggle over use value in the city<sup>6</sup>, about a form of life that can potentially be universalized, applicable to all: Taxing the wealthy to finance public housing was the most effective measure of fostering social cohesion. “Though restriction applies to all, the privileged tend to resent it, as if it were directed solely against themselves. They talk of slavery, while in effect only an extension to the others of the vested freedom they themselves enjoy is intended” (Polanyi 2001[1944]: 262f). Implementing the Enlightenment values of freedom, equality and solidarity seemed scandalous to the better off. *Red Vienna* was implemented against fierce resistance of the privileged minority, denounced as “city hall dictatorship” and “tax and finance terrorism” (Wassermann 2014: 2). It was destroyed politically in a short civil war, leading to a “brain drain that resulted from the persecution, emigration, and murder” (Wassermann 2014: 3). Economically this place-based experiment

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<sup>5</sup> While there was a cultural struggle on political projects in the interwar period, after the war the question of the good life became a technocratic problem and was increasingly privatised. Polanyi was aware of these tendencies in post-war democracy. “A democracy restricted to the merely political field’, he warned, ‘is bound to *degenerate*. Its parties become a nuisance because they absorb the civic energies of the people and divert them to useless purposes.” (Dale 2016a: 70).

<sup>6</sup> “Culture is the mode of organization of use values” (Polanyi Levitt 1990: 115. Cited from Amin in “In Praise of Socialism”; Monthly Review 1974)

was defeated by the straightjacket of fiscal austerity and the gold standard (Becker/Novy 1999).

### 3 The liberal illusion of borderless globalisation

In the 1930s, as a result of economic slump and political turmoil, a variety of illiberal national regimes implemented a deglobalisation agenda. Polanyi perceived fascism and socialism as two types of countermovement – both “representing the possible in opposition to that which is impossible” (Polanyi 2001[1944]: 259). The defeat of fascism and a long war changed the relation of forces to the advantage of labour and against economic liberalism. It was a window of opportunity of a broad anti-fascist consensus. A strong labour movement and the existence of the Soviet Union contributed to civilizing Western capitalism. As both civilizing factors no longer exist, will the second globalization avoid the mistakes of the past? Current globalisation is unique in depth and scope (Dicken 2015), but has nevertheless systematic similarities to the world order before 1929. Both are auto-destructive forms of global capitalism that weaken political countermovements of re-embedding.

Since the end of the Soviet Union, the straitjacket of borderless financial markets and liberal trade regimes has fostered the centralization of capital, increased inequality and put severe stress on emancipatory territorialized strategies. The contradiction between capitalism and democracy deepen (Bowles/Gintis 1986; Streeck 2016). Under unregulated foreign trade and global financial markets, the power of political actors is limited in general, but especially in opposing interests of global capital and the wealthy. Not only at the end of the nineteenth century, due to logistic isonomy and institutional isomorphism “the peoples of the world were institutionally standardized to a degree unknown before” (Polanyi 2001[1944]: 261).

Dani Rodrik (2011: 200) postulates a globalization trilemma insisting that “[w]e cannot have hyperglobalization, democracy, and national self-determination all at one”. Therefore, “[w]e can and should tell a different story about globalization. Instead of viewing it as a system that requires a single set of institutions or one principal economic superpower, we should accept it as a collection of diverse nations whose interactions are regulated by a thin layer of simple, transparent, and commonsense traffic rules ... What it will do is to enable a healthy, sustainable world economy that leaves room for democracies to

determine their own futures” (Rodrik 2011: 280). Following Polanyi, the current heated disputes between cosmopolitans and nationalists is profoundly flawed, as a socio-economic system based on universal self-regulating exchange of money, commodities, services and persons is incompatible with fair play and peaceful conviviality. Globalisation has inspired liberal economist to spread a consumerist culture by artificially creating markets for nearly everything, commodifying nature and knowledge being the current effort of market engineering. The resultant political polarization, social stress and cultural disintegration have been systematically neglected and underestimated (Wilkinson/Pickett 2010). But as egoistic gain-maximisation cannot be limited to market agency, it will use all political and military power to be successful. This explains the attractiveness of nationalism and economic and non-economic strategies of outcompeting the “others”. The colonial attitude of left liberal “humanitarian interventions” in the tradition of Mill, double standards with respect to trade (Chang 2002) or uneven responsibility for ecological problems – it all systematically violates principles of equality. Although the economic power of the rising Global South is challenging the supremacy of the West and demanding equal share in global wealth, the citizenship premium of being member of a rich society is still substantial (Milanovic 2016: 133), apparently offering competitive advantages to groups which are real or potential loser of further economic globalization. This makes strategies to limit immigration and to use geopolitical power attractive.

Signals of the end of uncontested globalisation prevail and the trend of imposing selective limits on globalization in its multiple forms is gaining momentum. One might insist in defending the liberal utopia; an undertaking that in line with Polanyi, can be perceived as “illusory” today as in the 1930s. Therefore, the real political confrontation of the years to come will most probably be about shaping diverging types of deglobalisation and territorial sovereignty: More or less trade and migration will then result from territory-specific political decision making with very different outcomes. On the one side, reactionary countermovements have been spreading, the Tea Party in the USA (Block/Somers 2014: 193ff), right wing populism in Europe. Reactionary deglobalisation is authoritarian, nationalistic, exclusionary and blackmailing migrants and refugees. If the good life is equaled to Western mass consumption, a good life is not possible for all. Once, the defenders of the status quo take this for granted and arrogantly define the Western life style as non-negotiable they have to take ever more radical measures. United in the common objective to

sustain an unsustainable mode of living, a cross-class alliance between reactionary culturalism, climate change denier and technocratic neoliberalism might be forged. Orban, Abe and probably Trump pursue this strategy of protecting the status quo via authoritarian, pro-capitalist rule setting, serving patriotic sentiments, neglecting environmental concerns, preaching a neoliberal work ethos and defending corporate property rights while undermining constitutional checks and balances, universal human rights and international law, suppressing the autonomy of the judiciary system and civil society. Such an alliance might even succeed in reducing the EU to a free trade area with joint surveillance of its border, while social, political and cultural policies are (re)-nationalized. And in case of imminent ecological disaster, even eco-authoritarian policies might be compatible with “*homo munitus*, barricaded man, who gathers behind fortress walls in the company of his own” (Rosanvallon 2013: 280).

On the other side, the contours of an emancipatory economic world order have long been based on a “soft” reading of Polanyi which reduces the double movement to a “self-equilibrating mechanism” (Dale 2016a: 4), balancing societal swings from more to less market, privatization and liberalization. A techno-managerial Green Growth agenda (WBGU 2011) calling for an ecologically regulated world market is indeed a type of “the always-embedded market economy” (Block/Somers 2014: 96), but it does not question the expansionary and exclusionary logic of capitalist mode of production. In an increasingly hostile global environment this proves deficient. Therefore, the “hard” Karl Polanyi - the way his wife and daughter portrayed his approach (Dale 2016a: 6f) – seems better suited in dealing with the form-changing necessities of the current transformation. So far, most civilizations restricted social and cultural progress to a selected segment of society. In ancient Greece, for example, for the free propertied citizenry, while women, slaves and foreigners were excluded in various ways (Schmid 2013). In *Red Vienna* characterized by class cleavages and uneven development, fostering the good life for all was confronted with resistance. The “hard” Polanyi was not interested in simply reforming capitalism, as he was aware that “freedom for all” was only possible with non-capitalist institutions embedded in a nurturing society and sensibly acknowledging the multiple functions of nature. Most probably, Polanyi – who was close to many reformists – would have sympathized with the concept of a “double transformation” (Klein 2014), aiming at civilizing capitalism while at the same time transcending it towards a post-capitalist order. With respect to the immediate

policies needed, Rodrik, Polanyi and Keynes acknowledge the danger of beggar-thy-neighbour export orientation and globalized monetary regimes. Selectively dismantling this global framework will permit “to tolerate willingly that other nations shape their domestic institutions according to their inclinations” (Polanyi 2001[1944]: 262). This would contribute to “a regionalized world of coexistence of different economic and social systems” (Polanyi Levitt 2013: 92). Europe offers the most complex scalar arrangement. Regaining territorial space of manoeuvre must not be reduced to national sovereignty, as diversity-prone economic policies require a multi-scalar strategy of increasing spaces of manoeuvre wheresoever possible. Although progressive change of European Economic Governance seems remote and regaining national sovereignty might awake ghosts of the past, emancipatory regionalization has to use transformative potential at all levels – from the local and regional to the national and supranational.

To put it in a nutshell, adherents of the liberal utopia will have to overcome the ethical preference for the global scale and accept the advantages of more complex spatial arrangement that curtail certain global markets. They will have to choose between two alternatives: (1) a strategy of arbitrary deglobalisation with imperialist overtones imposed by the strong and (2) a strategy of emancipatory economic deglobalisation which at the same time intensifies international cooperation in solving contemporary global policy challenges, from climate change to hunger and refugees. Only after dismantling excessive concentration of power, the ethical core of cosmopolitanism and the Enlightenment tradition can merge with the concrete utopia of a good life for all under ecological constraints.

#### 4 Producing the common from below

The key objective of economic deglobalisation is limiting power (Bello 2006): The power by the hyper-wealthy to interfere in domestic affairs as well as the systemic logic of universal isomorphism produced by universal markets and the commodification of everything. Restricting global financial markets, rigorous measures against tax havens, strict regulation on corporate ownership and binding social and ecological standards in world trade are necessary prerequisites for effective policies to combat social polarisation and ecological degradation. Taking sustainability serious, the structurally expansive and accelerating logic of modern capitalism not only has to be curtailed, its systemic compulsion has to be overcome. Unlimited expansion and acceleration is incompatible with a realistic understanding of human beings

(Spash 2015; Rosa 2016). As it is illusory “to assume a society shaped by man’s will and wish alone” (Polanyi 2001[1944]: 266), liberals have exhaustively exploited an apparent dilemma: “If regulation is the only means of spreading and strengthening freedom in a complex society, and yet to make use of this means is contrary to freedom per se, then such a society cannot be free” (Polanyi 2001[1944]: 266). In the modern “opportunity society” (Blühdorn 2013: 27) a new version of the liberal utopia – and the categorical defense of globalization - is present on the political Left and Right. Government, power, and politics are perceived as hindrance to liberty, even a threat to individual rights and freedoms. Place and territory are merely limiting and restricting. In the words of Michel Houellebecq, “France is a hotel, nothing more” (Cited in Rosanvallon 2013: 278). But in a finite world, place matters and there are limits to improvement, growth and acceleration. Neither are property rights or a basic income “unconditional”, nor can a “borderless” universal market organize freedom in a complex society. Limiting the “unconditional” aspirations for freedom as well as regulating “borderless” mobility of commodities, esp. “fictitious” commodities like money and labour, is indispensable to guarantee reciprocity not only in exchange, but also in involvement (Rosanvallon 2013: 271).

Under increasing ecological constraints, the contemporary conflict is about who is enabled to lead a good life: the wealthy and powerful few, some groups or all? Given the unsustainability of a productivist and consumerist development model, neither exclusion of the many nor mere redistribution of the given guarantees a good life for all. Universal flourishing will only be possible with a new, more relational understanding of the good life. It is incompatible with consumerism as the illusion that all needs can be satisfied via commodities. The good life is about being secure and healthy, having friends, learning and being allowed to be creative. It is about the equal right to be different. Of crucial importance is “decommodifying” labour, be it in the form of a regional living wage or effective collective bargaining that guarantees a decent income. All this requires new attractive forms of life which have to be enabled by adequate infrastructure and institutions: Resistance to a society based on hereditary privilege, extravagance or separatism (Rosanvallon 2013: 298f) can stimulate initiatives in favour of diversity-sensitive care, education and housing for all. The utopia of a resilient good life for all can inspire communal ownership of energy production and distribution, free or at least cheap public transport and decentralized cultural facilities.

In a mixed economy in which markets are one of several economic institutions place-based actors are in a much better position than under neoliberal globalization. They can use their regained policy space to foster new class-crossing alliances in favour of emancipatory regionalization, sub- and supranationally. They can foster an effective alternative hegemony based on place-based development, “commonality” (Rosanvallon 2013: 277). Without a blueprint for a reasonable, flourishing and frugal life, institutionalized collective learning has to experiment with satisfying the needs of “*homo reciprocans*” (Rosanvallon 2013: 271) like respect, friendship, existential security and fulfilling work. Communal initiatives must not remain in niches; they can offer an attractive form of life to organize the common as participation, mutual understanding and shared spaces, be it by celebrations, sporting events, demonstrations or meetings. Such alternative spaces, infrastructures and institutions will limit individual freedom of some and, therefore, will be fiercely contested. But – as Polanyi (2001[1944]: 265) was well aware - only “regulation and control can achieve freedom not only for the few, but for all”. Such a progressive model of order and development might be able to mobilize technological know-how and the accumulated, highly-centralized wealth for the good life for all in a peaceful and democratic way, while at the same time avoid the unleashing of the most ugly sides of the dialectics of enlightenment.

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